



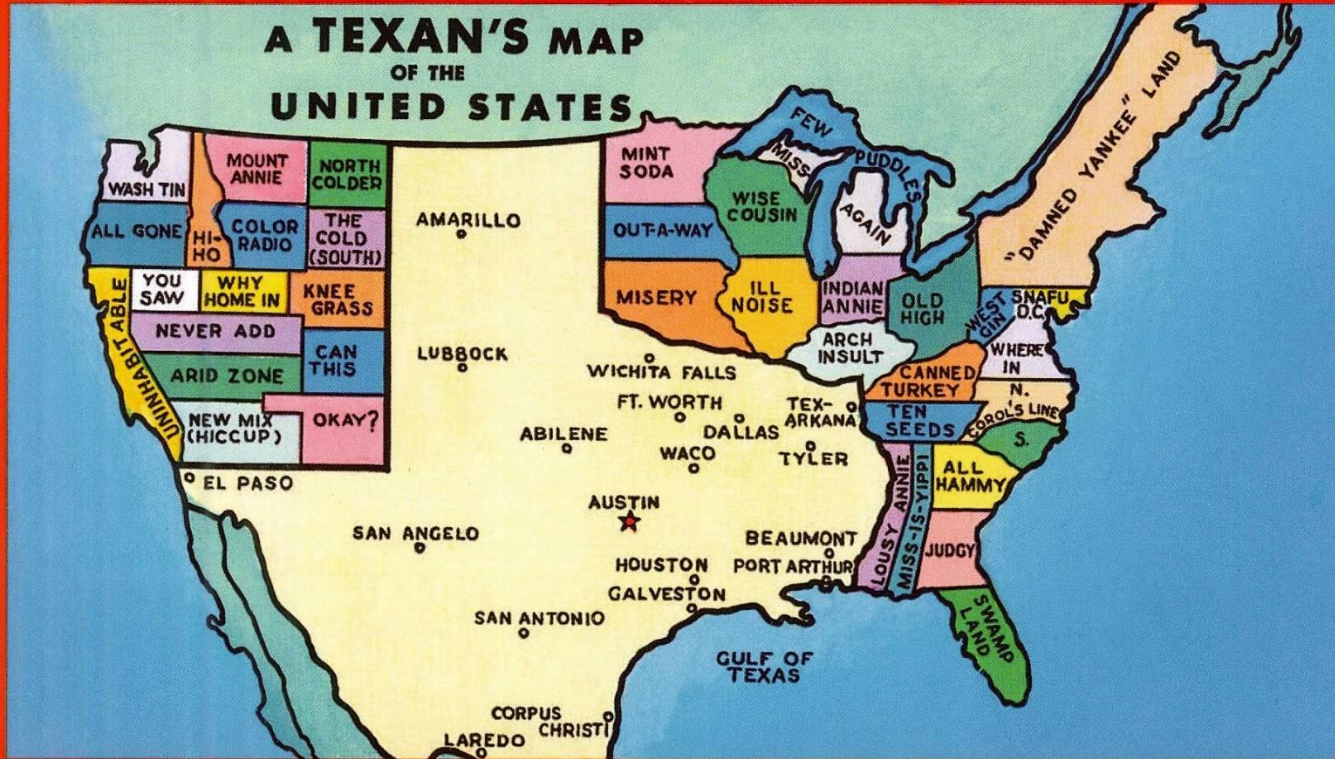
**CBRE**

# TEXAS MULTIFAMILY MARKETS

JEANETTE I. RICE, CRE  
AMERICAS HEAD OF MULTIFAMILY RESEARCH

FEBRUARY 21, 2020

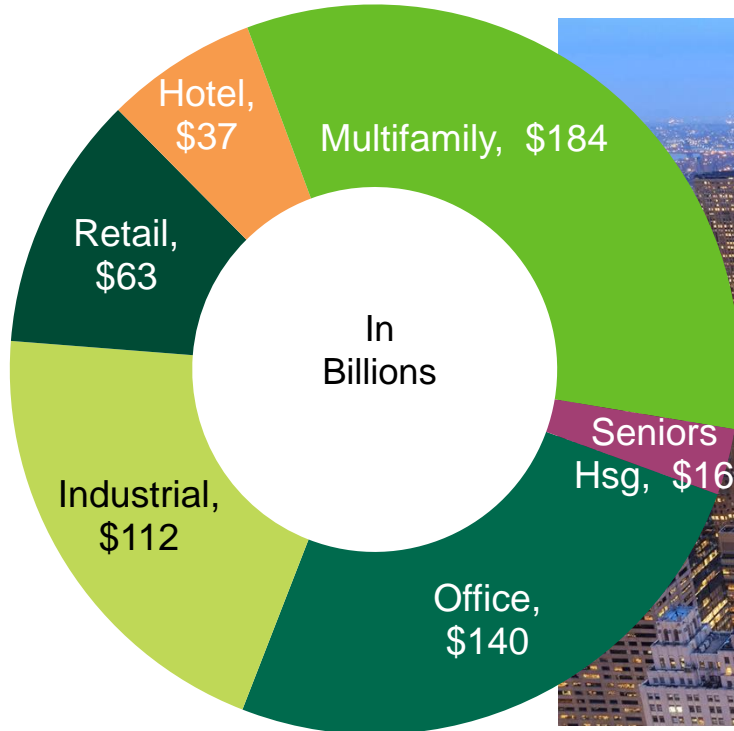
# A TEXAN'S MAP OF THE UNITED STATES



*Greetings from "The Lone Star State"*

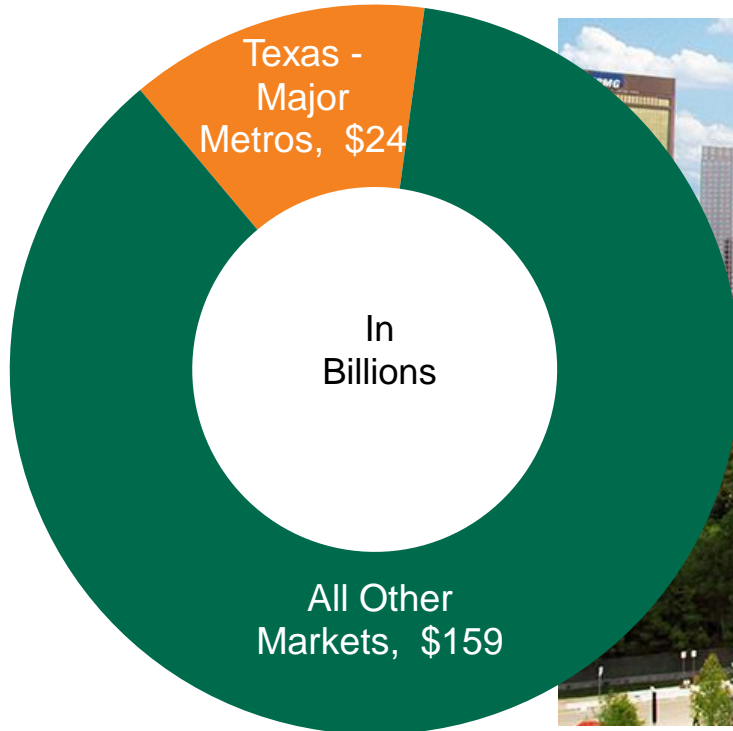
# MULTIFAMILY IS STILL A FAVORED SECTOR

\$551 billion total investment in U.S. commercial real estate in 2019. Multifamily represented 33% of total and largest market share



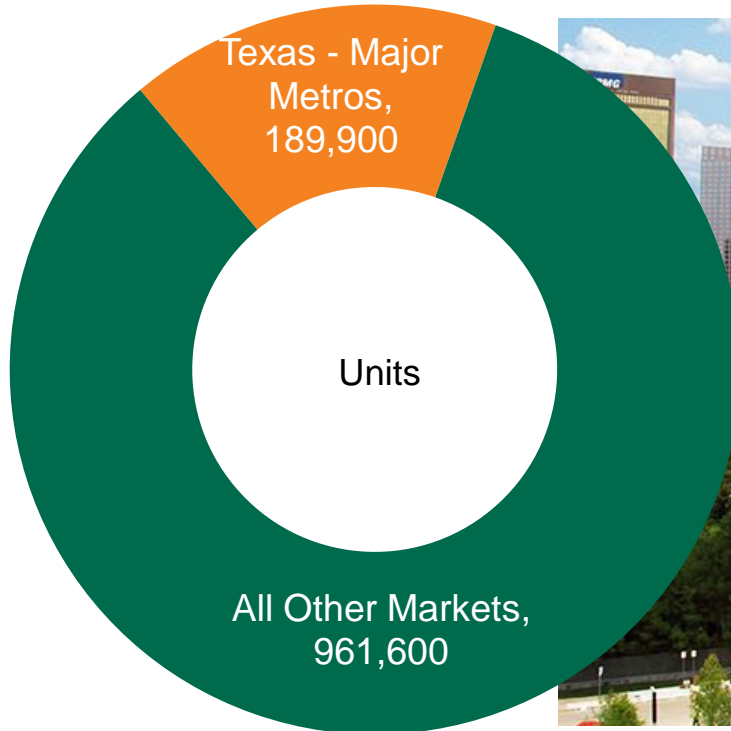
# TEXAS IS ONE OF HOTTEST REGIONS FOR MF INVESTMENT

Texas captured 14% of all U.S. multifamily investment in 2019 - \$24 billion



# TEXAS IS ONE OF HOTTEST REGIONS FOR MF INVESTMENT

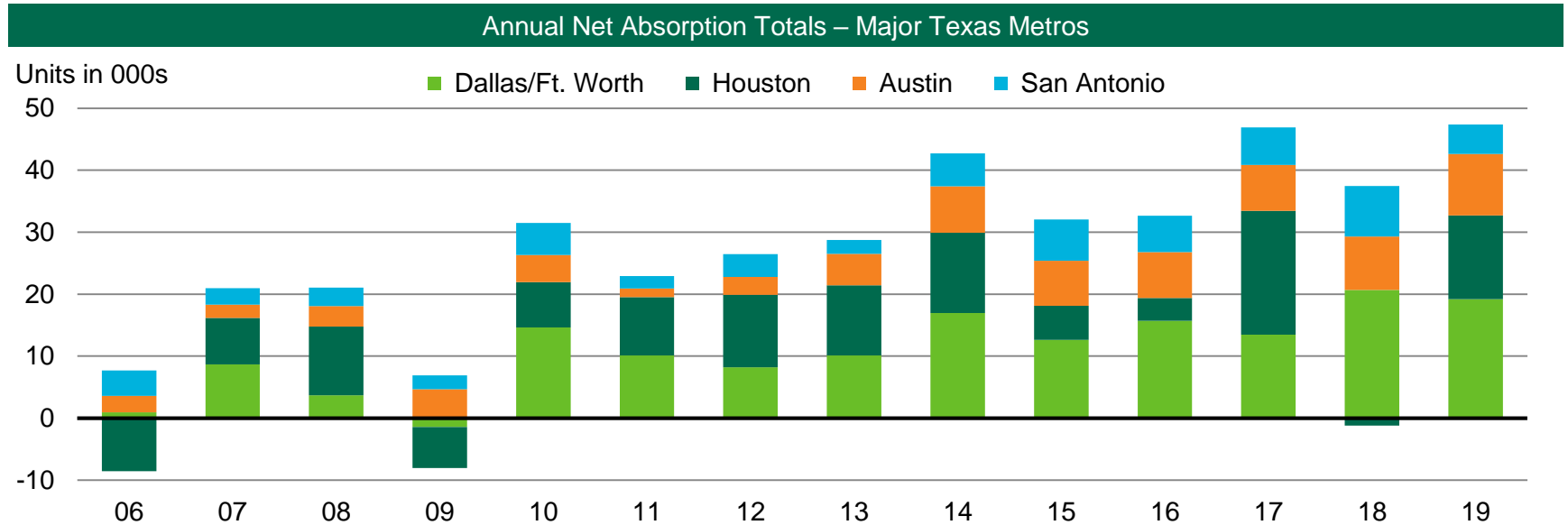
16% or 1 in every 6 units bought in U.S. in 2019 was located in DFW, Houston, Austin or San Antonio



**INCREDIBLE  
DEMAND**

# HIGH LEVELS OF MULTIFAMILY DEMAND

In past decade (2010 through 2019), major Texas metros absorbed nearly 350,000 multifamily units.



Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.

# LEADING METROS - NET ABSORPTION

Robust demand in Texas; four major metros total 45,300 or 15% of U.S. total

Metro	Units Absorbed Past 4 Qtrs.	Net Absorption to Inventory (%)*
<b>Sum of Markets</b>	<b>299,400</b>	<b>1.9</b>
1 New York Metro*	40,100	1.8
2 Dallas/Ft. Worth	19,200	2.7
3 Washington, D.C.	14,300	2.4
4 Los Angeles/So. Cal.*	14,100	0.9
5 Miami/So. Florida*	13,800	2.3
6 Seattle	12,400	3.2
7 Chicago	11,700	1.5
8 Houston	11,400	1.8
9 Austin	9,900	4.5
10 Boston	9,700	2.0
11 San Fran Bay Area*	9,400	1.6
12 Atlanta	9,200	2.1
13 Denver	8,600	2.7
14 Philadelphia	7,800	2.5
15 Orlando	7,200	3.3
16 Phoenix	6,700	1.9
17 Portland	6,400	3.2
18 Charlotte	5,400	3.3
19 Minneapolis	5,200	1.8
20 Nashville	4,900	3.5
21 San Antonio	4,800	2.5

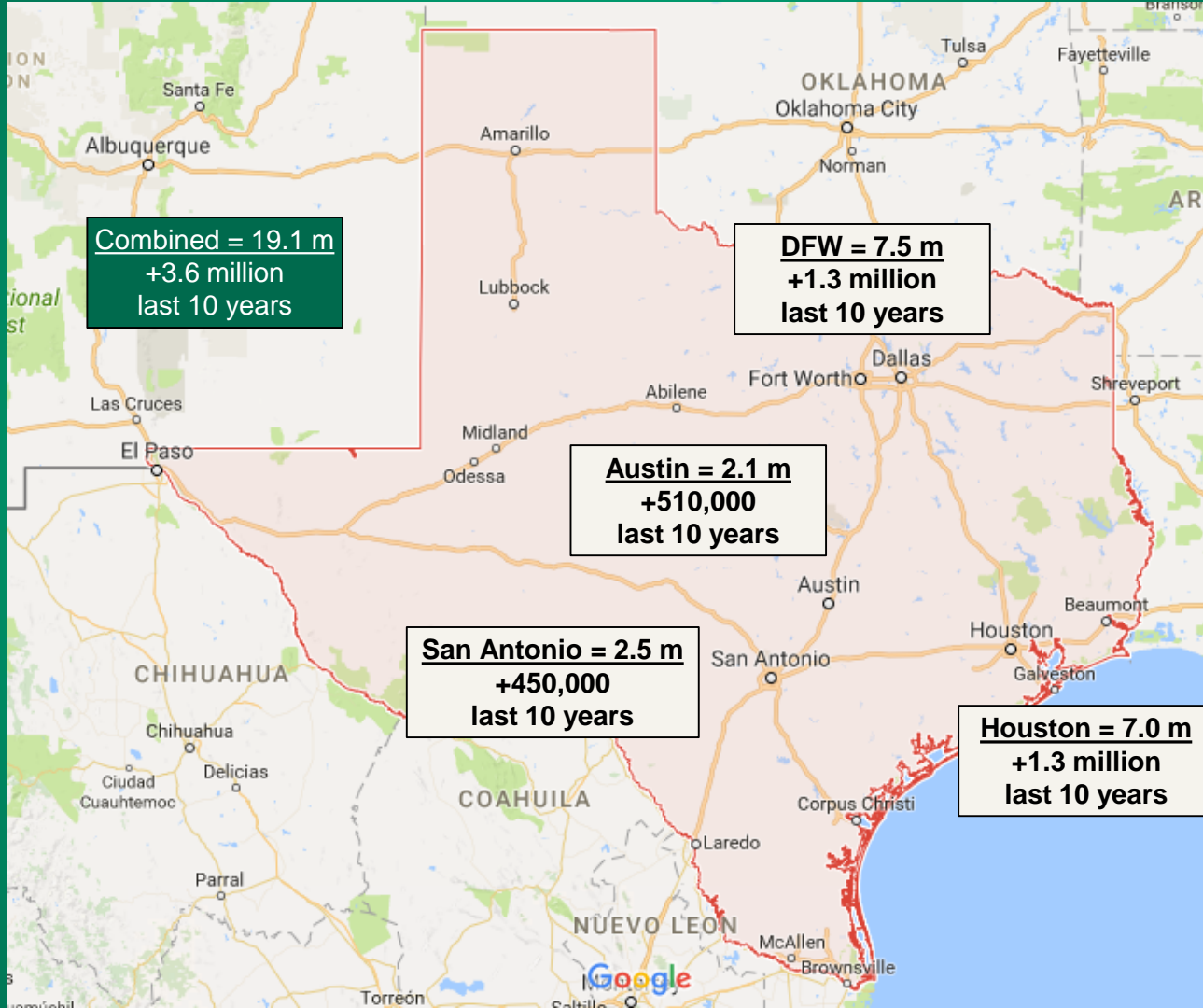
Numbers on map represent units absorbed in thousands.



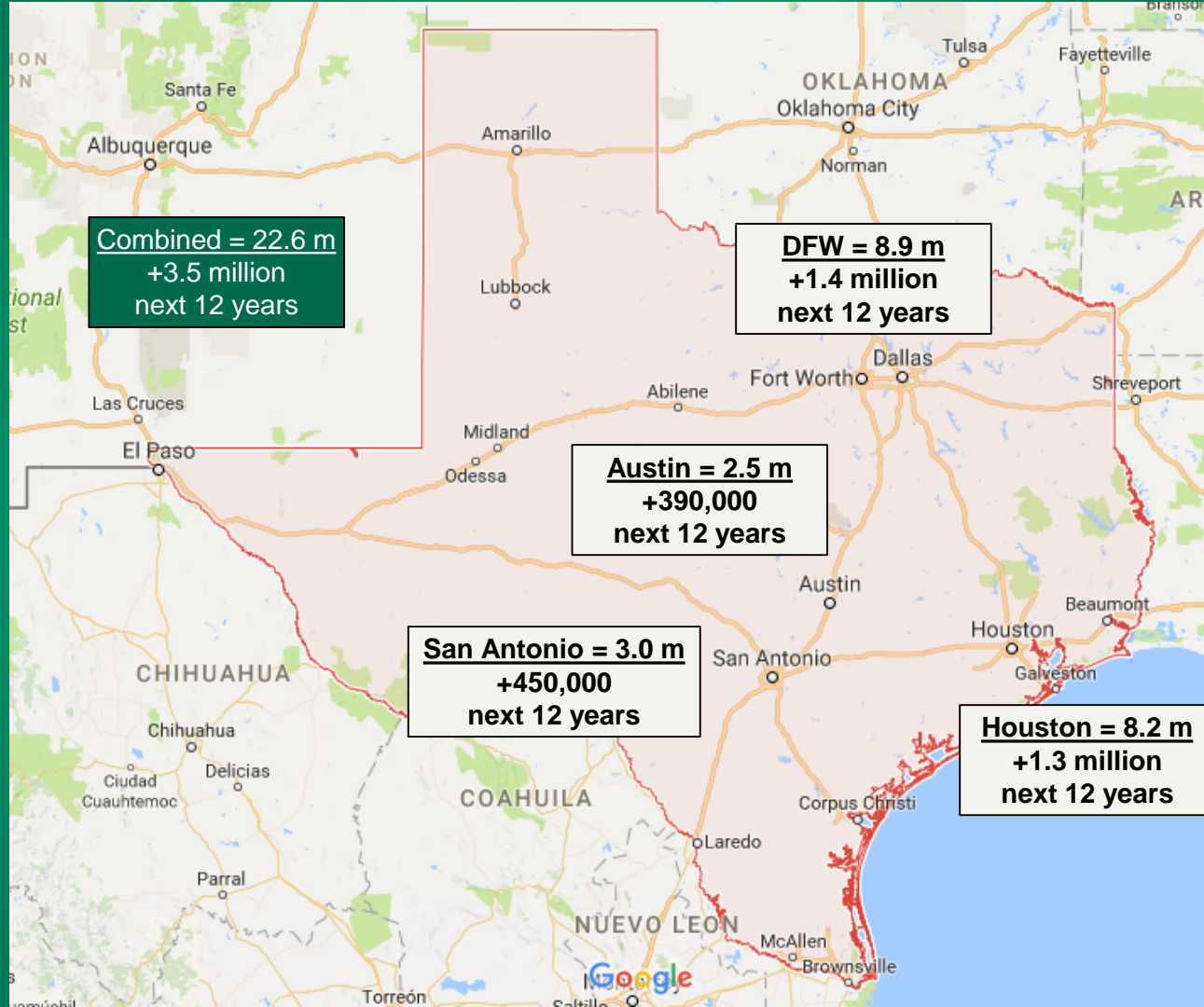
Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.



# 2018



# 2030



# RENTERS STAYING PUT

Urban living

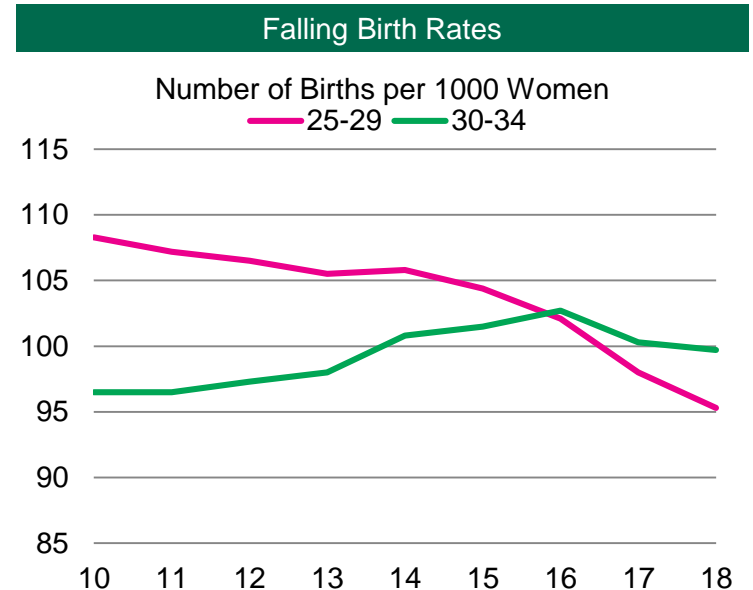
New  
generation  
of  
multifamily  
housing  
product



# LIFESTYLE CHANGES GENERALLY FAVOR MULTIFAMILY

Many aspects of lifestyle of current younger households are conducive to renting multifamily housing longer (even when single-family is affordable)

- Delayed “trigger points” for homebuying
  - Getting married later
  - Starting families later (or not having kids)
- Renting socially acceptable among professional classes
- Strong appeal of flexibility and ease of mobility from renter tenure



Source: CBRE Research, NCHS National Vital Statistics Reports, Q4 2019. Birth rates include all children regardless of birth order.

# HOMEOWNERSHIP NOT EASILY ATTAINABLE

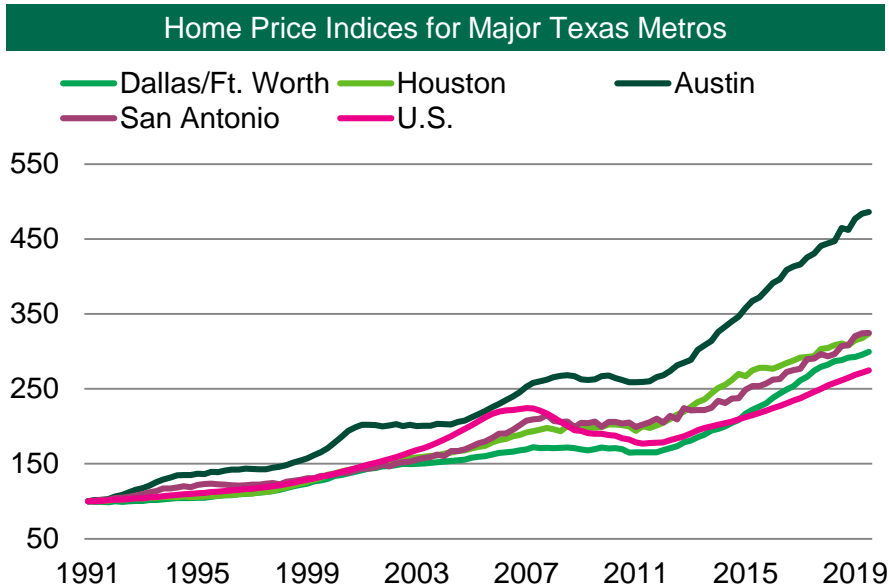
Buying a house may be desired, but not attainable

- Costs prohibitive to many renters
  - U.S. median sales prices have risen by 7.5% annually for past seven years
- Lack of household savings
- Student debt
- Mismatch between what is affordable and what desired



# TEXAS HOME PRICE INDEX

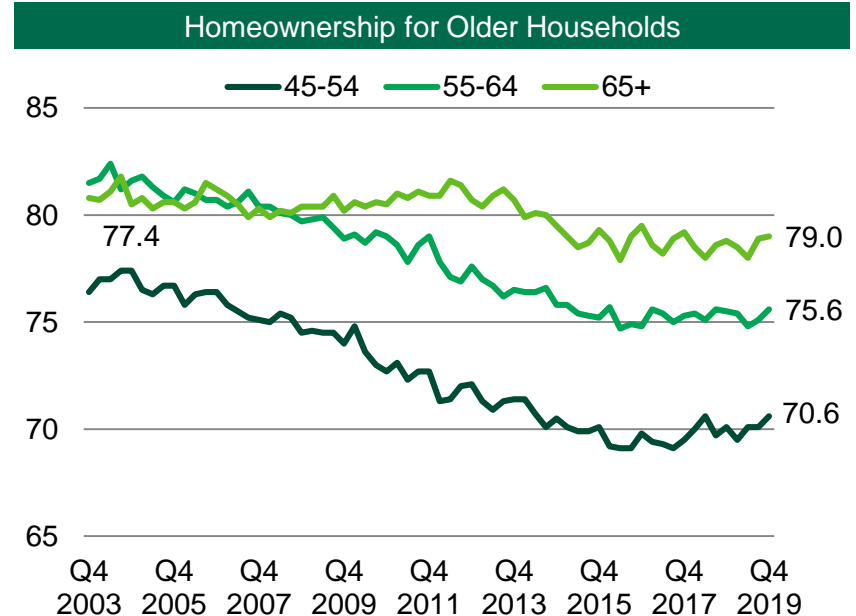
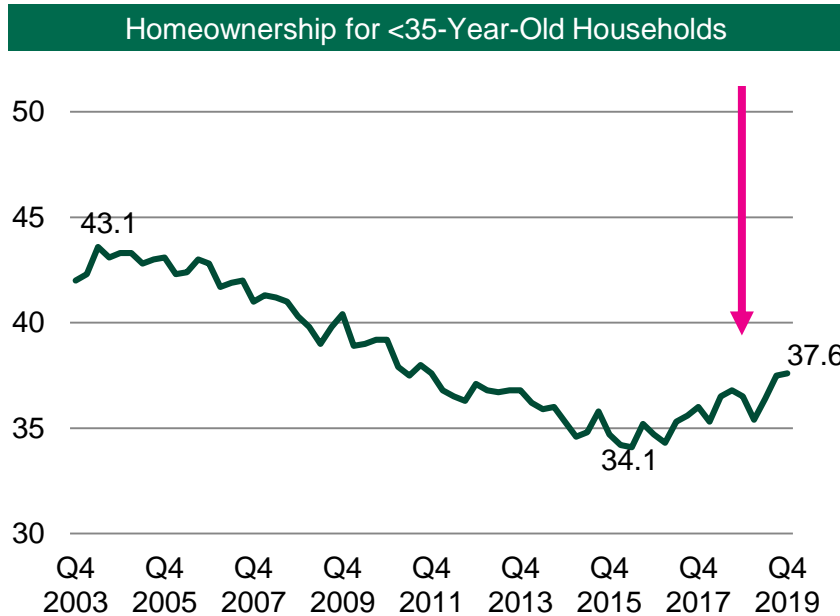
Since recession home values in Texas have risen greater than the U.S., ranging from



Source: CBRE Research, FHFA, Q3 2019. Quarterly seasonally-adjusted indices.

# U.S. HOMEOWNERSHIP – BY AGE COHORTS

Homeownership rising faster in younger households – a possible drag on multifamily demand

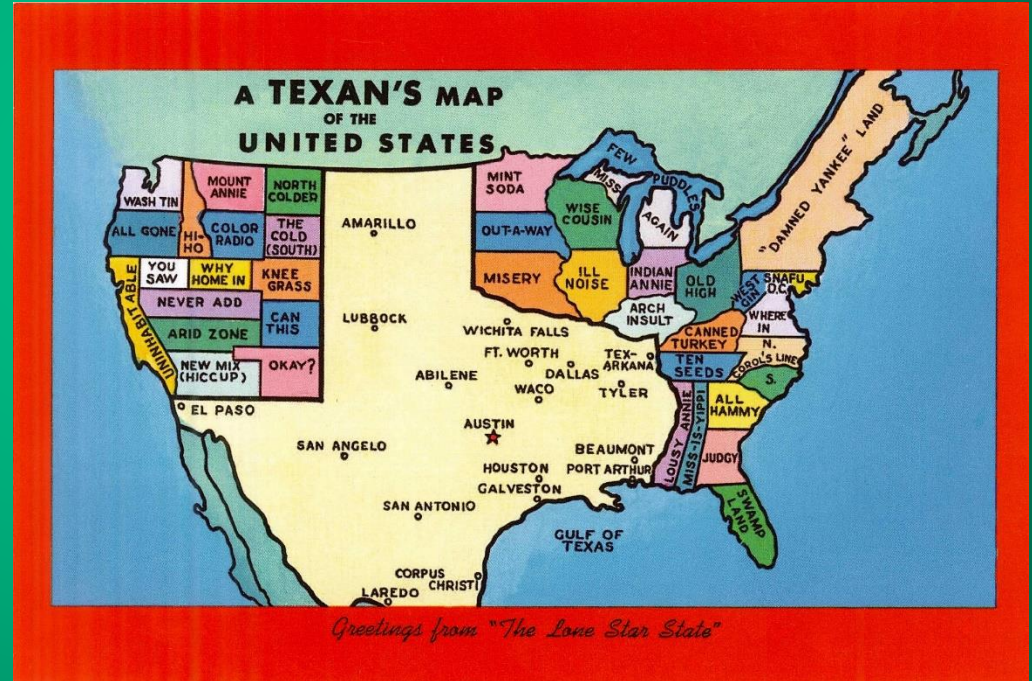


Source: CBRE Research, U.S. Census Bureau, Q4 2019. Not seasonally-adjusted rates.



# THE TEXAS QUESTION

ARE WE  
OVERBUILDING  
(YET)?

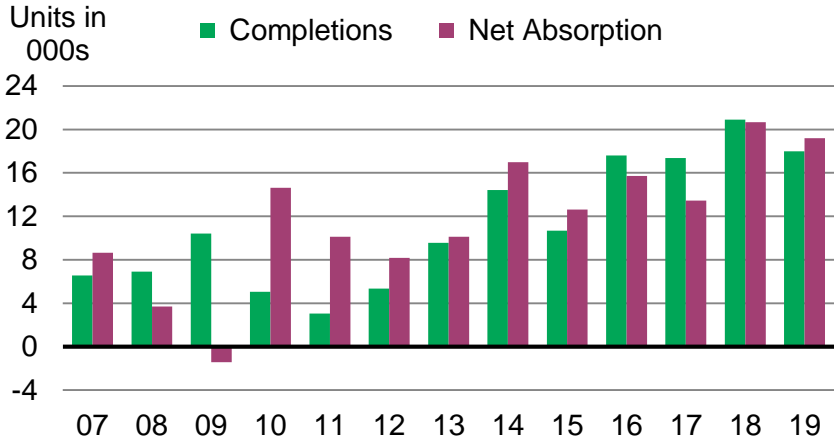


# DALLAS/ FT. WORTH



# DALLAS/FT. WORTH

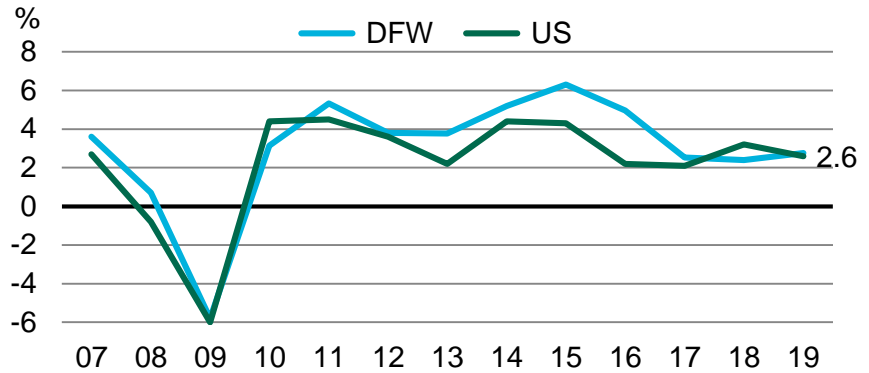
## Supply & Demand



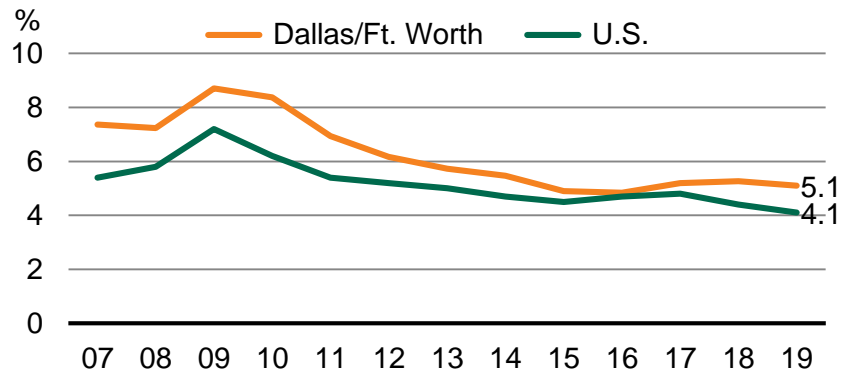
- Pipeline: 33,100 units under construction, second highest total in U.S. after New York

Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.

## Annual Rent Change



## Vacancy

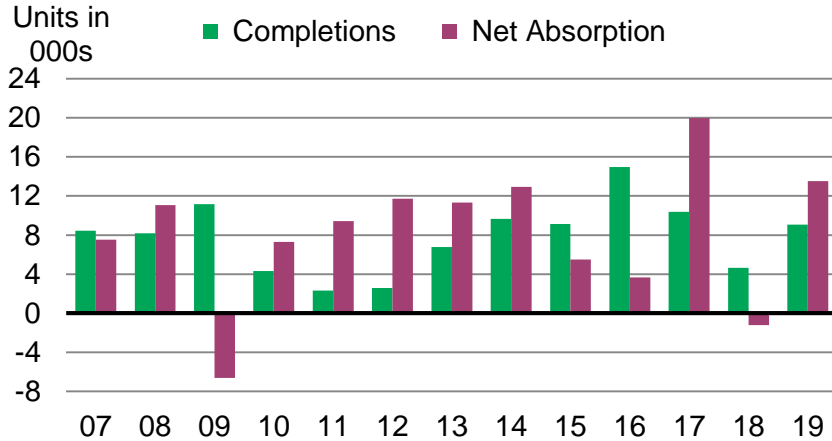


# HOUSTON



# HOUSTON

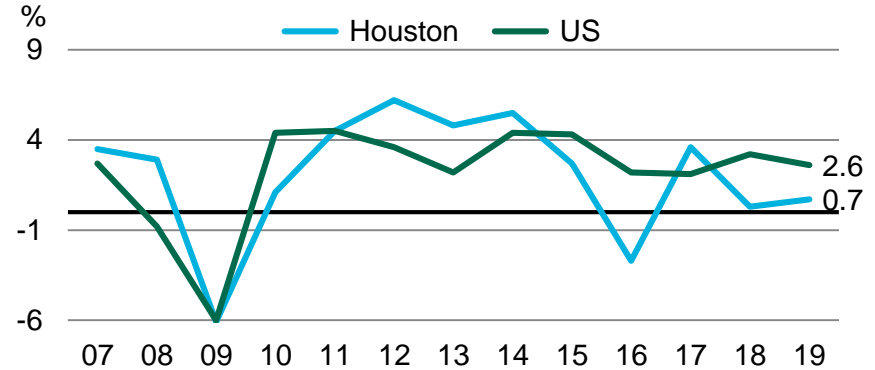
## Supply & Demand



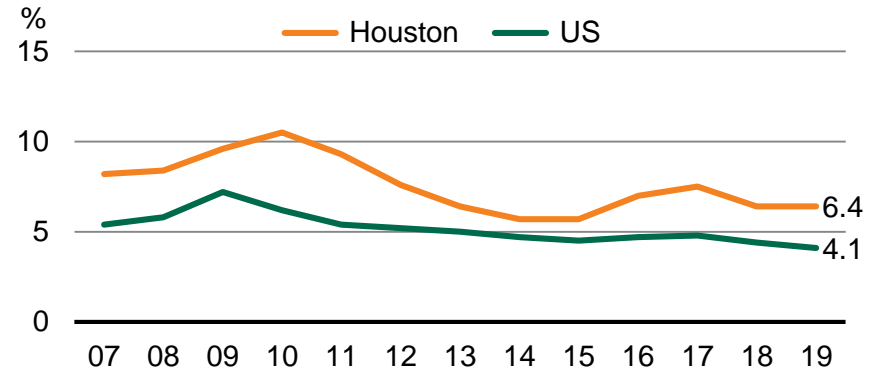
- Demand outpacing supply, but construction pipeline is very high.
- Pipeline: 29,600 units under construction, fourth highest total in U.S. after New York, DFW, Washington, D.C.

Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.

## Annual Rent Change



## Vacancy

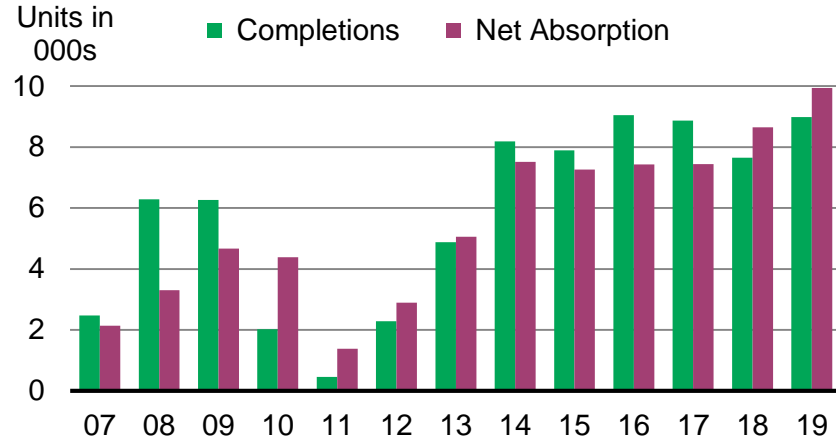




AUSTIN

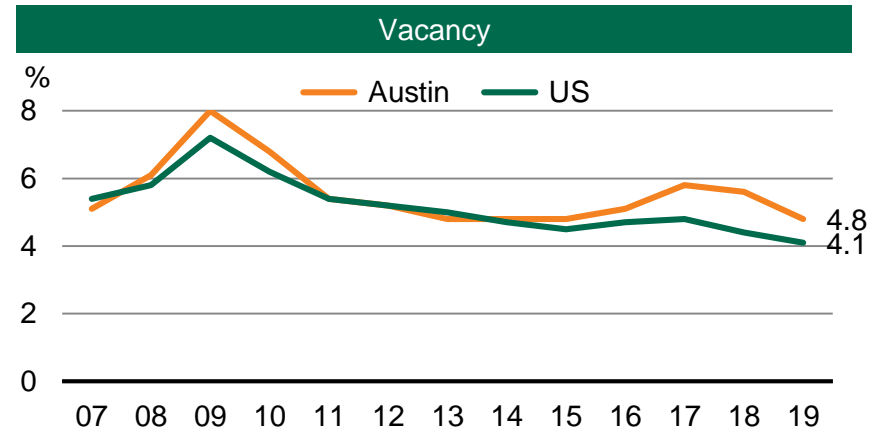
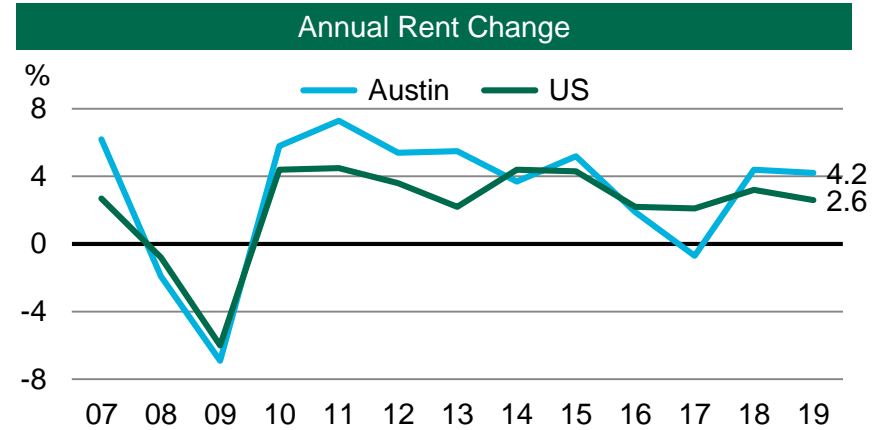
# AUSTIN

## Supply & Demand



- Pipeline: 16,100 units under construction, eighth highest total in U.S.

Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.

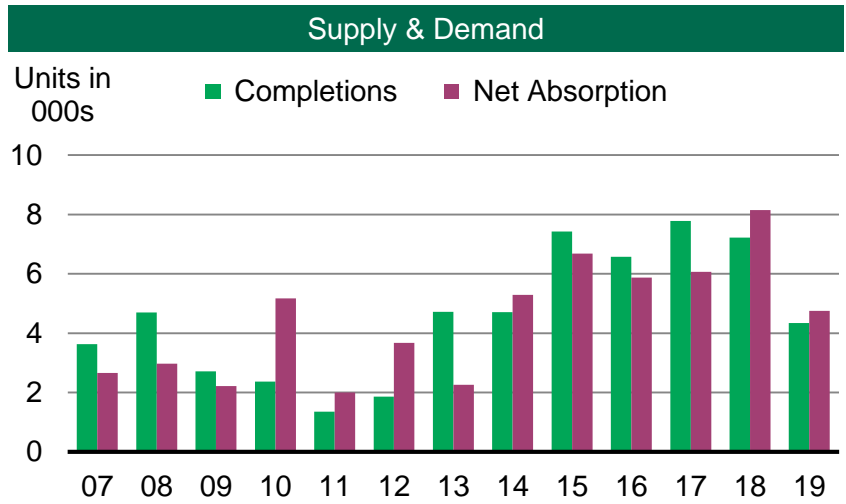


# SAN ANTONIO



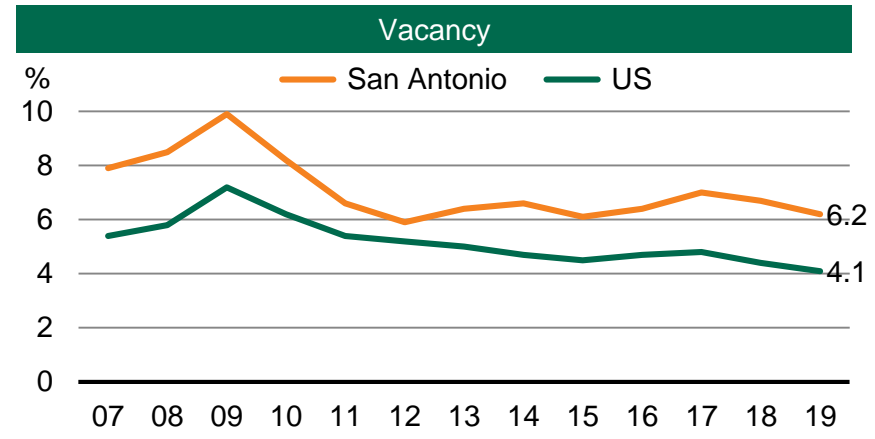
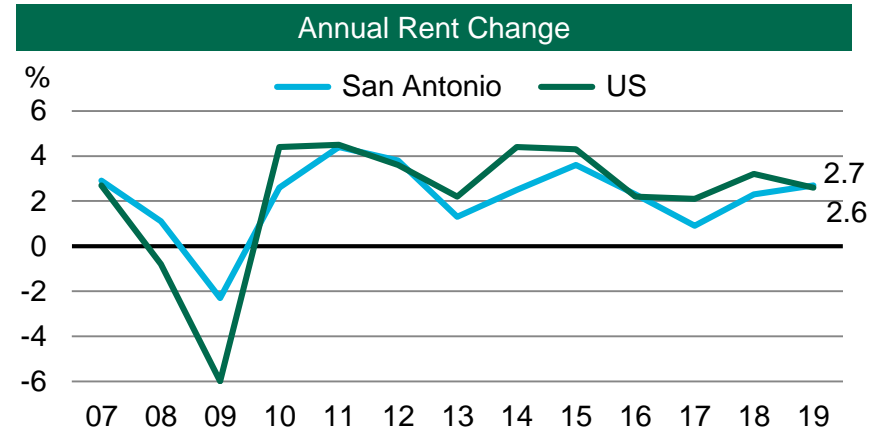


# SAN ANTONIO



- Construction pipeline: 9,700 units under construction

Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.

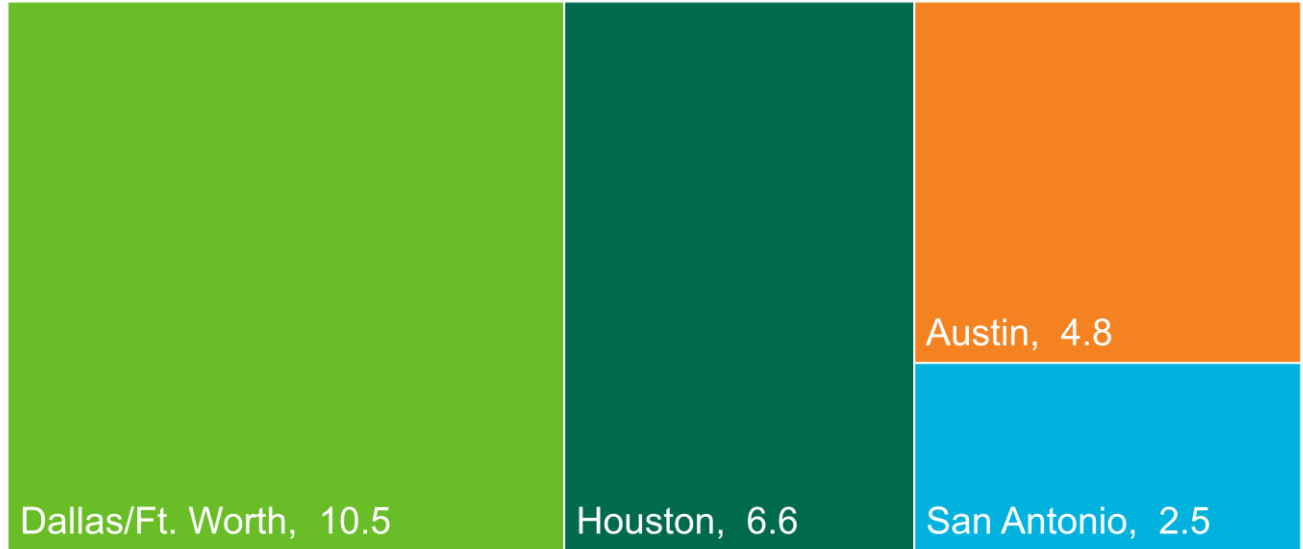


**INVESTMENT**

# INVESTMENT UPDATE – TEXAS MAJOR METROS

Major Texas metros attracted \$24.4 billion of multifamily investment, 2019

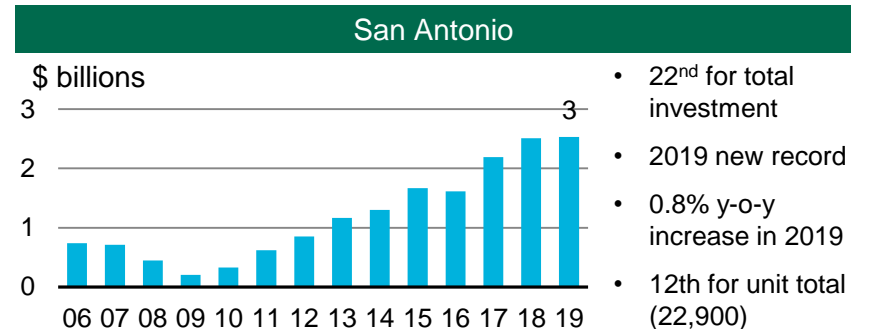
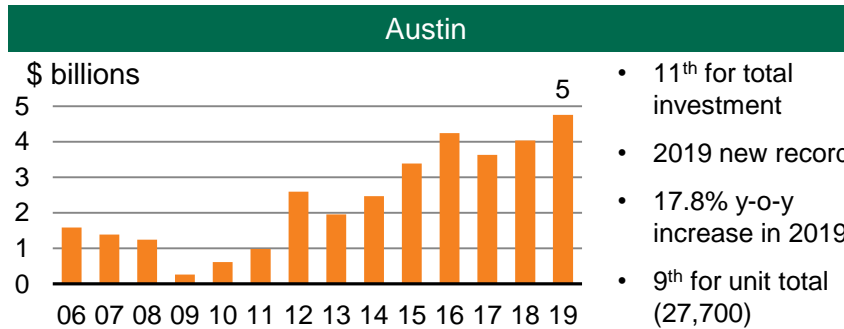
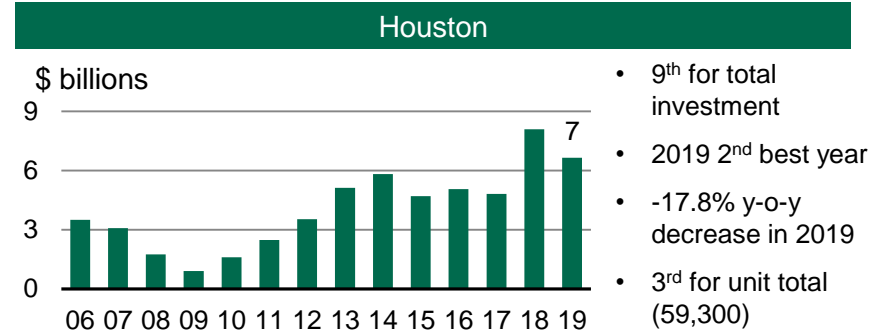
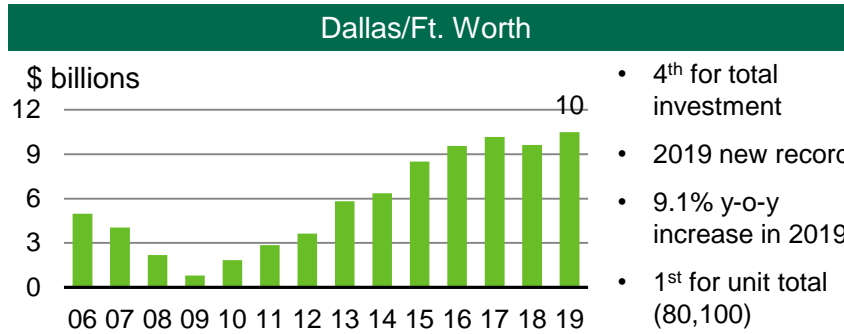
Texas Multifamily Investment By Major Metro = \$24.4 Billion Total



Source: CBRE Research, Real Capital Analytics, Q4 2019.

# INVESTMENT UPDATE – TEXAS MAJOR METROS

2019 investment higher than 2018



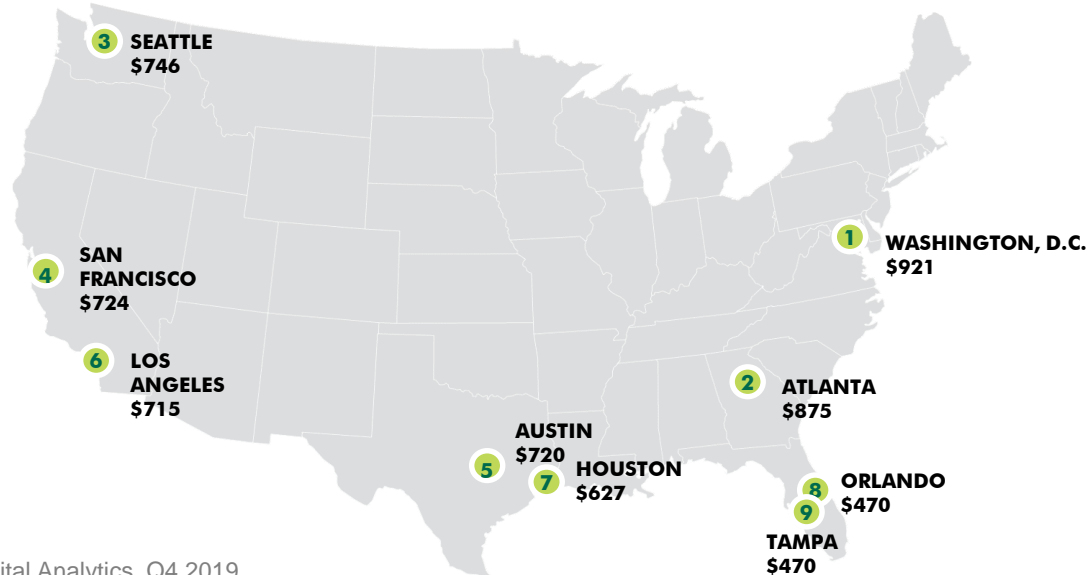
Source: CBRE Research, Real Capital Analytics, Q4 2019.

# INBOUND CAPITAL METRO DESIGNATIONS

Austin & Houston ranked 5<sup>th</sup> and 7<sup>th</sup> for cross-border investment in 2019



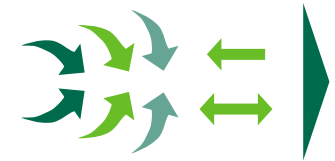
## Top Destinations for International Buyers of U.S. Multifamily (\$ Millions)



Source: CBRE Research, Real Capital Analytics, Q4 2019.

**TEXAS  
MULTIFAMILY  
SCORECARD**

# TEXAS MULTIFAMILY SCORECARD



Criteria		U.S.	Dallas/Ft. Worth	Houston	Austin	San Antonio
	Current Performance (rent, vacancy)	B+	B+	B-	A-	B+
Demand	Economy, Household Formation	C+	A	A	A	A
	Lifestyle, Demographics	A-	A-	A-	A	B+
	SF Housing Costs (high costs = more favorable mf demand)	A-	B	B	B+	C
	Matching Demand Levels – short-term (not overbuilding)	B+	B	C	B	B
Supply	Matching Demand Levels – longer-term (building enough)	C	B	B+	B-	B
	Matching New Supply With Current Housing Needs	C-	C+	C+	C+	C+
Investment	Investor Appeal	A	A	B+	A+	C+
	Pricing (for Sellers)	A	A-	A-	A	B+



**CBRE**

**THANK YOU**

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